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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 001411

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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/WATERS;
TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [KWBG](#)

SUBJECT: PA PAYS EMPLOYEE SALARIES; HAMAS BLOCKS ENTRY TO
PA OFFICES

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

11. (SBU) Summary. The Palestinian Authority (PA) paid full salaries to public employees July 4 for the first time in 15 months, according to local press reports and Ministry of Finance officials. In accordance with an earlier PA cabinet decision nullifying appointments and promotions after December 31, 2005, about 31,000 people received either no salary or a reduced payment. The Head of the Union of Public Employees announced that 25 percent of those denied payment are affiliated with Fatah and 30 percent with Hamas, countering accusations that only Hamas appointees are subject to salary loss or reduction. Banks in Gaza are operating normally and report no incidents related to non-payment of salaries or bank deductions from salaries paid. Hamas security forces seeking to maintain a Hamas-declared Thursday-Friday weekend for PA employees blocked access to PA offices in Gaza July 5. End Summary.

PA Pays

12. (C) PA Ministry of Finance Director General of Customs Hatem Yousef told that the PA began paying full PA salaries for June on July 4. He said the payments totaled NIS 290 million (USD 68.4 million), of which NIS 143.5 million went to security personnel and NIS 147 million to civil servants. He added that, of the 31,000 people adversely affected by the cabinet decision on salary payments, 29,1895 received no salary and 1,815 received a lower payment based on their pre-promotion rank. Yousef said the list of 31,000 included 23,000 security personnel and 8,000 civil servants.

Right of Appeal

13. (C) Yousef confirmed press reports that individuals who received no pay or a smaller sum than expected can appeal to a committee established to review salary-related grievances. Head of the Union of Public Employees Bassam Zakarneh indicated to local press July 5 that appeals will be handled expeditiously, and successful claimants may receive funds next week.

Not Just Hamas

14. (C) Zakarneh said 25 percent of those denied their salaries are affiliated with Fatah, 30 percent with Hamas, and 45 percent with other groups or independents. PLC Director General Firas Yaghi told Polchief July 4 that PM

Salam Fayyad's decision to reduce the wage bill was a good one because it protects him from accusations that he is targeting only those employees hired under the Hamas and National Unity governments. He similarly welcomed the tribunal process as good and transparent governance.

Gaza Banks OK

15. (SBU) Representatives of several Gaza banks told Econoff July 5 that salary payments had been dispersed without incident. Recent cash deliveries from Israel were sufficient to cover these payments. Banks continue to deduct between 15 - 35 percent from some salary payments to help reduce PA employee debt to the banks. Bank managers noted that the resumption of PA salary payments will strengthen the banking sector by reducing their current load of non-performing loans.

Weekend Dispute

16. (SBU) Hamas Executive Forces took up positions at PA ministries and public offices in Gaza on July 5 to prevent PA employees from entering their offices. (Note: The PA recently established a Friday-Saturday weekend for PA employees, but Hamas seeks to maintain the Thursday-Friday weekend it implemented while leading the government. End note.) Zakarneh publicly condemned Hamas attempts to close PA offices. Several employees barred from their offices told local media that they will abide by the PA government-mandated weekend and refuse to go to work on Saturday, July 7.

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